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May 4, 2006

**RECEIVED**

MAY 04 2006

PUBLIC SERVICE  
COMMISSION

**VIA HAND DELIVERY**

Elizabeth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40601

**RE: An Examination by the Public Service Commission of the Environmental Surcharges Mechanism of Kentucky Utilities Company for the Six-Month Billing Periods Ending July 31, 2003, January 31, 2004, January 31, 2005, July 31, 2005, and January 31, 2006, and for the Two-Year Billing Period Ending July 31, 2004**  
**KPSC Case No. 2006-00129**

Dear Ms. O'Donnell:

Enclosed please find and accept for filing the original and ten copies of a Motion on behalf of Kentucky Utilities Company in the above-referenced matter. Please confirm your receipt of this filing by placing the stamp of your Office with the date received on the enclosed additional copies and return them to me in the enclosed self-addressed stamped envelope.

Should you have any questions or need any additional information, please contact me at your convenience.

Very truly yours,

  
Kendrick R. Riggs

KRR/ec

Enclosures

cc: Elizabeth E. Blackford, Esq. (w/ enclosure)  
Michael L. Kurtz, Esq. (w/ enclosure)

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

In the Matter of:

MAY 04 2006

AN EXAMINATION BY THE PUBLIC SERVICE )  
COMMISSION OF THE ENVIRONMENTAL )  
SURCHARGE MECHANISM OF KENTUCKY )  
UTILITIES COMPANY FOR THE SIX-MONTH )  
BILLING PERIODS ENDING JULY 31, 2003, )  
JANUARY 31, 2004, JANUARY 31, 2005, )  
JULY 31, 2005, AND JANUARY 31, 2006, AND )  
FOR THE TWO-YEAR BILLING PERIOD )  
ENDING JULY 31, 2004 )

PUBLIC SERVICE  
COMMISSION

CASE NO.  
2006-00129

MOTION

Kentucky Utilities Company (“KU”) moves the Public Service Commission of Kentucky (“Commission”) for an order: (a) expanding the scope of the examination in this proceeding of the six-month billing period ending January 31, 2006 to include three additional environmental surcharge expense months (i.e., December 2005 through February 2006) billed in February through April 2006; (b) expanding the scope of the examination in this proceeding of the two-year billing period ending July 31, 2004 to include nine additional environmental surcharge expense months (i.e., June 2004 through February 2005) billed in August 2004 through April 2005; and (c) setting KU’s next six-month billing examination period for Commission review as billing months May through October 2006, and KU’s next two-year billing examination period as billing months May 2005 through April 2007. The purpose of these proposed expansions is to synchronize KU’s six-month and two-year billing periods with those of Louisville Gas and Electric Company (“LG&E”) in order to simplify these and future examinations for the Commission, LG&E and KU, and interveners.

As grounds for its Motion, KU states as follows:

1. On April 25, 2006, the Commission established this proceeding to examine the operation of KU's environmental surcharge and a separate proceeding to examine the operation of LG&E's environmental surcharge.<sup>1</sup>

2. The scope of this proceeding<sup>2</sup> is similar but not identical to the scope of the Commission's examination of the operation of LG&E's environmental surcharge.<sup>3</sup> KU's proposed expansions in scopes of the above-described six-month and two-year examinations in this proceeding will synchronize the scopes of the Commission's future six-month and two-year examinations for LG&E and KU.

3. KU submits that the proposed expansions will provide administrative efficiencies and economies to the Commission and anticipated interveners in both surcharge proceedings by presenting comparable periods of review for consideration and examination.<sup>4</sup>

4. KU respectfully submits that KRS 278.183(3) concerns the timing of the Commission's hearings reviewing utilities' environmental surcharge mechanisms, not the actual periods being reviewed.<sup>5</sup> Thus, KRS 278.183(3) is not an impediment to KU's proposed expansions.

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<sup>1</sup> *In the Matter of: An Examination by the Public Service Commission of the Environmental Surcharge Mechanism of Louisville Gas and Electric Company for the Six-Month Billing Periods Ending October 31, 2003, April 30, 2004, October 31, 2004, October 31, 2005, and April 30, 2006, and for the Two-Year Billing Period Ending April 30, 2005*, Case No. 2006-00130, Order (April 25, 2006)

<sup>2</sup> The scope of the examination in Case No. 2006-00129 includes KU's environmental surcharge as billed from as billed from February 1, 2003 to July 31, 2003, from August 1, 2003 to January 31, 2004, from August 1, 2004 to January 31, 2005, from February 1, 2005 to July 31, 2005, and from August 1, 2005 to January 31, 2006 and the 2-year review of the surcharge as billed from August 1, 2002 to July 31, 2004.

<sup>3</sup> The scope of examination in Case No. 2006-00130 includes LG&E's environmental surcharge as billed from May 1, 2003 to October 31, 2003, from November 1, 2003 to April 30, 2004, from May 1, 2004 to October 31, 2004, from May 1, 2005 to October 31, 2005, and from November 1, 2005 to April 30, 2006 and the 2-year review of the surcharge as billed from May 1, 2003 to April 30, 2005.

<sup>4</sup> Even with KU's proposed expansions, the Commission's examinations in this proceeding will review earlier months than will the Commission's comparable examinations in Case No. 2006-00130 concerning LG&E (e.g., KU's two-year period includes billing months August 2002 through April 2003, which LG&E's two year period does not). Nonetheless, KU's proposed expansions will synchronize the six-month and two year-periods for LG&E and KU on a going-forward basis.

<sup>5</sup> KRS 278.183(3) states in relevant part:

5. If the Commission expands the scope of this proceeding as requested, KU will provide the information requested in the Commission's Order of April 25, 2006 for the three additional environmental surcharge months. KU will also provide any specific information about these three additional months upon request by the Commission.

6. Synchronizing KU's examination periods with LG&E's will result in setting KU's next six-month billing examination period for Commission review as billing months May through October 2006, and KU's next two-year billing examination period as billing months May 2005 through April 2007.

7. KU does not object to modification, if necessary, of the procedural schedule in this case or in Case No. 2006-00130 to grant the relief requested.

**WHEREFORE**, Kentucky Utilities Company respectfully requests the Public Service Commission of Kentucky to issue an order: (a) expanding the scope of the examination in this proceeding of the six-month billing period ending January 31, 2006 to include three additional environmental surcharge expense months (i.e., December 2005 through February 2006) billed in February through April 2006; (b) expanding the scope of the examination in this proceeding of the two-year billing period ending July 31, 2004 to include nine additional environmental surcharge expense months (i.e., June 2004 through February 2005) billed in August 2004 through April 2005; and (c) setting KU's next six-month billing examination period for

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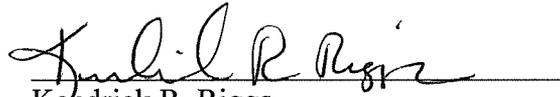
At six (6) month intervals, the commission shall review past operations of the environmental surcharge of each utility, and after hearing, as ordered, shall, by temporary adjustment in the surcharge, disallow any surcharge amounts found not just and reasonable and reconcile past surcharges with actual costs recoverable pursuant to subsection (1) of this section. Every two (2) years the commission shall review and evaluate past operation of the surcharge, and after hearing, as ordered, shall disallow improper expenses, and to the extent appropriate, incorporate surcharge amounts found just and reasonable into the existing base rates of each utility.

KU submits that this text requires the Commission to hold review hearings every six months and two years, but does not explicitly require that the periods being reviewed be six-month and two-year periods.

Commission review as billing months May through October 2006, and KU's next two-year billing examination period as billing months May 2005 through April 2007.

Dated: May 4, 2006

Respectfully submitted,



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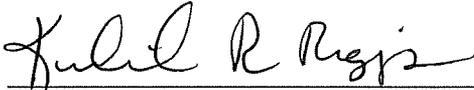
Counsel for Kentucky Utilities Company

**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of the above and foregoing Motion was served, via United States mail, postage prepaid, to the following persons on the 4th day of May 2006:

Elizabeth E. Blackford  
Assistant Attorney General  
Office of the Attorney General  
Utility & Rate Intervention Office  
1024 Capital Center Drive, Suite 200  
Frankfort, Kentucky 40601-8204

Michael L. Kurtz  
Boehm Kurtz & Lowry  
36 East Seventh Street, Suite 1510  
Cincinnati, Ohio 45202

  
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Counsel for Kentucky Utilities Company